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TO RUEHC/SECSTATE WASHDC PRIORITY 5901
INFO RUEHBO/AMEMBASSY BOGOTA PRIORITY 4780
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RUEHLP/AMEMBASSY LA PAZ JUN 4308
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 9204
RUEHQT/AMEMBASSY QUITO PRIORITY 1288
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 1333
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 4416
RUEHBS/USEU BRUSSELS PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
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SUBJECT: CONGRESS LABOR COMMITTEE ON THE GENERAL LABOR LAW

REF: A. 06 LIMA 4547

[1B.](#) LIMA 240
[1C.](#) LIMA 1805
[1D.](#) LIMA 1850

[11.](#) (SBU) Summary: Two pro-labor members of Congress's labor committee described efforts to overcome remaining obstacles to the draft General Labor Law (GLL) and their hope that Congress will approve the law by the end of the year. They warned that critics were nitpicking to death an historic piece of legislation that represents a necessary first step in reforming Peru's labor law. Committee Chairman Aldo Estrada (UPP) criticized the business community for being disingenuous and for allowing "the perfect to become the enemy of the good." Deputy chair Luis Negreiros claimed that quick passage of the PTPA could undermine support for the GLL. Business leaders counter that Peru's labor legislation should reflect the government's market-oriented policies. Widespread criticism of the draft law throughout its evolution underscores the difficulty of genuine labor reform.
End Summary.

Overcoming Committee Deadlock

[12.](#) (SBU) Congressmen and staffers on Congress's labor committee are seeking to negotiate the draft General Labor Law (GLL) through the remaining persistent obstacles in its path. When the committee presented the draft law to the full Congress May 8, it received a broadside of criticism. Article 165, which required labor judges to determine compensation for workers fired without cause (reftel D), was particularly controversial. Committee staffers told poloff recently that Congress planned to appoint a five-person commission to study the problem and that compromise was likely. Congressional leaders would quietly ask the commission to recommend that fired workers be eligible for monetary compensation but not re-employment and that a "third party," rather than labor judges, determine the level of that compensation. They said the former fix was intended to please business while the latter was meant to placate labor, and they speculated that the third party could be the Ministry of Labor.

¶3. (SBU) Staffers said a special commission was necessary because the labor committee was hopelessly deadlocked by ideological and personal disagreements. Only five of eight committee members signed the draft law. Congressman Oswaldo de La Cruz of the Fujimorista bloc refused to sign because the draft GLL went too far in strengthening worker rights and threatened to undermine economic growth. Juan Huancahuari of the Nationalist Party refused because the draft law did not go far enough in protecting labor rights and took away protections that had already been agreed to in public hearings. UPP Congressman Victor Mayora opposed the bill simply because he does not like his fellow UPP-ista Estrada, according to staffers.

Anger at Business Groups

¶4. (SBU) While Estrada and Negreiros expressed annoyance with their congressional colleagues, their real anger was aimed at business groups involved in the GLL negotiations. Estrada said the committee had made every change requested by business, even adopting verbatim the language they proposed, only to have business spokesmen caricature these efforts as attempts to create absolute labor stability. Estrada called the Peruvian businessmen responsible for these mischaracterizations "devious" and "short-sighted." Both congressmen said that business groups failed to understand the true significance of the GLL as an umbrella piece of legislation that promised to codify and simplify the confusing patchwork of existing labor laws and regulations. (Comment: Our own conversations with business representatives over the last several months do not bear out Estrada's claims. While they appreciated the chairman's willingness to listen and consider their viewpoint, they have consistently opposed the provisions ultimately adopted in a number of areas, particularly forced rehiring of dismissed workers. End Comment.)

Deal Hostage to Bickering

¶5. (SBU) Negreiros and Estrada further emphasized that agreement had been reached on 415 out of the 430 articles in the bill, and lamented that the whole package could be undermined by nitpicking over Article 165, which concerns the rights of workers fired without cause. Negreiros insisted that the committee had remained even-handed in its approach. He noted that, even after the GLL was passed, most unions would be unable to organize sector-wide; the minimum wage would remain at USD 1.50 per hour; and workers fired without cause would not be entitled to regain their old jobs. Negreiros insisted that the real threat to job growth was legislation tilted so far in favor of business that social unrest was inevitable. (Comment: Negreiros comments should be viewed in context. A former labor official himself, Negreiros is seen by many in his own party, including President Garcia, as being statist and favoring strong labor stability. End Comment.)

¶6. (SBU) Negreiros also speculated that quick passage of the PTPA in the US Congress could undermine the GLL. He noted that most Peruvian congressmen believed the GLL was a necessary precondition for the PTPA, and with the PTPA in hand, support for the General Labor Law could fade. Even if the PTPA was not approved in the US Congress, Estrada and Negreiros rated the GLL's odds as no better than 60/40 in favor. Both expected the bill would die in committee if it was not approved by December.

Business Interests Disagree

¶7. (SBU) Business interests disagree with the analysis of Estrada and Negreiros. Business groups are continuing to negotiate "in good faith", according to Harry Stewart, General Counsel for ADEX, Peru's association for exporters. The problem, he said, was the GLL needed to reflect the government's market-oriented economic policy. Otherwise, Peru could face a return to a "state-controlled economy," and risk undermining its strong economic performance of recent years. Stewart rejected criticisms from the bill's

supporters, noting that it lacked support in the full congress.

Comment: The Fruitless Frustration of Finding Compromise

18. (SBU) After a year of steady and at times sharp criticism from labor, business, the media, the Ministry of Labor and their own parties, Estrada and Negreiros are running out of gas. At one point during the meeting with poloff, Estrada rose to his feet and pounded the table to emphasize his anger at business groups. Negreiros said that seeking a viable compromise among the competing interests involved had been "brutal." Palpably frustrated by the challenges of bringing more workers into the formal economy and strengthening the government's ability to enforce labor protections, both congressmen believe the General Labor Law is a necessary first step and that its critics are merely seeking to retain the short-term benefits provided by a chaotic and unregulated labor market. End Comment.
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